



The new European policy framework for the building sector in the EU

Athens, 3 May 2023
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Buildings: key issue in the political agenda

Broader scope

- save energy
- decrease emissions
- tackle energy poverty
- improve quality of life
- digitalization
- circularity
- safety (fire, seismic, etc.)
- generate jobs and growth

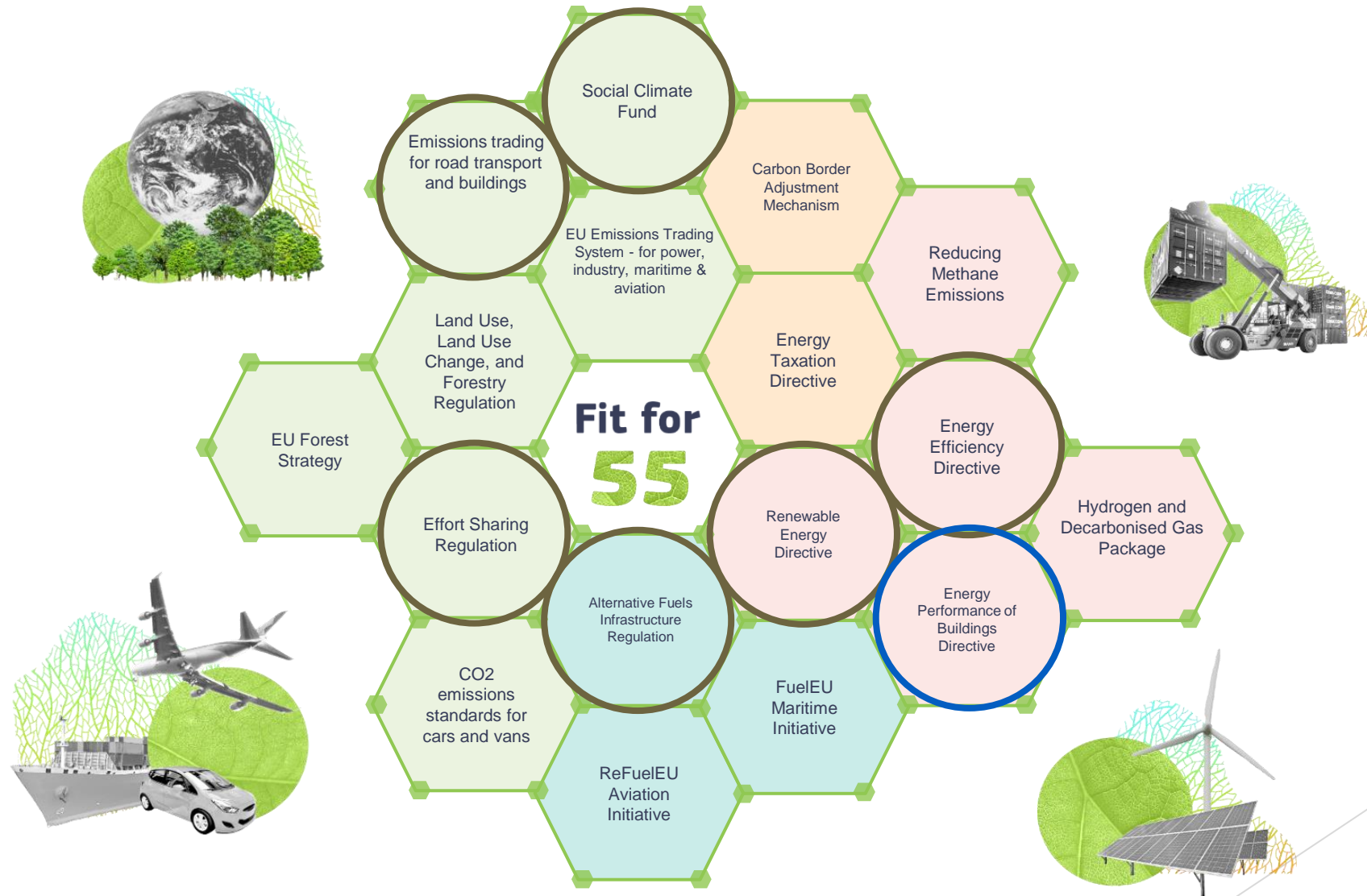
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Interlinkages with many policies

- European Green Deal
- Renovation Wave
- Taxonomy
- Recovery and Resilience Plans
- REPowerEU
- National Energy and Climate Plans
- Effort Sharing
- Social Climate Fund

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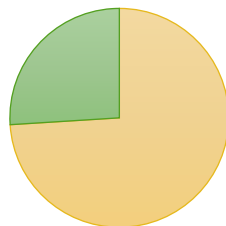
“Fit for 55”: buildings’ key role



EU building stock

40% of EU energy consumption
36% of the energy-related greenhouse gas emissions

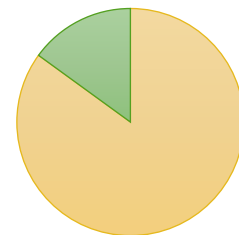
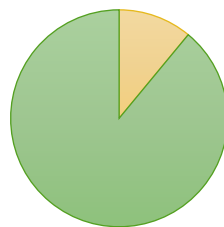
24 billion m² floor area,
around **74%** residential



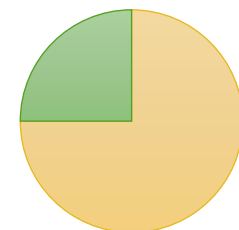
Around **186 million** residential
units are **permanently inhabited**



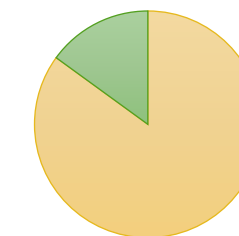
Only **11%** of existing buildings
undergo some level of **renovation**
each year; weighted annual energy
renovation rate only at **1%**



85% of existing EU dwellings were
built before 2000 ...



... **75%** have **poor energy**
performance ...



... more than **85%** will still be in
place in **2050**

Objectives of the EPBD revision

- ▶ **Climate Target Plan:** by 2030 the EU should reduce buildings' GHG emissions by 60%, their final energy consumption by 14% and energy consumption for heating and cooling by 18%
- ▶ **Renovation Wave** aims at doubling renovations by 2030 and foster deep renovations



Twofold objective:

→ Contribute to **reducing buildings' GHG emissions and final energy consumption by 2030**

→ Provide a long-term vision for buildings and ensure an adequate contribution to achieving **climate neutrality in 2050**

EPBD negotiations

European Commission proposal (December 2021)

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0802&qid=1641802763889>

Council of the EU General Approach (October 2022)

<https://data.consilium.europa.eu/doc/document/ST-13280-2022-INIT/en/pdf>

European Parliament

https://www.europarl.europa.eu/doceo/document/A-9-2023-0033_EN.html#_section1

Focus areas

Renovation

- National Building Renovation Plans
- Minimum Energy Performance Standards
- Energy Performance Certificates (EPC)
- Renovation passports for individual buildings

Decarbonisation

- Zero-emission buildings as new standard for new buildings and 2050 vision for building stock
- Consideration of whole life cycle carbon
- Phasing out of incentives for fossil fuels and new legal basis for national bans

Modernisation & system integration

- Infrastructure for sustainable mobility
- EPC digitalization & databases
- Smart Readiness Indicator

Financing

- Public and private financing & technical assistance
- Deep renovation standard
- Priority to vulnerable households and people affected by energy poverty

Main provisions on new buildings

From Nearly zero energy to zero emission buildings

- ▶ Update based on benchmarks per climatic zones, to be applied by 2030 (2027 for public buildings)
- ▶ Stronger incentive to on-site renewables, efficient district heating and energy communities
- ▶ Zero-emission buildings become the level to be attained by deep renovation as of 2030 and the vision for the building stock in 2050



The life-cycle Global Warming Potential (GWP) of new buildings will have to be calculated as of 2030 in accordance with the Level(s) framework, informing on whole life-cycle carbon emissions (2027 for large buildings)

Strengthened requirements for recharging of e-vehicles, and mandatory bicycle parking in new buildings

Main provisions on existing buildings

Minimum Energy Performance Standards:

- ▶ Union-wide MEPS to phase out worst-performing buildings
 - Public and other non-residential buildings: at least EPC class F by 2027 & EPC class E by 2030
 - Residential buildings: at least EPC class F by 2030 & EPC class E by 2033
- ▶ MS to set up timelines for further improvement of their building stock in their building renovation plans
- ▶ Supporting framework with a focus on vulnerable households and monitoring of social impact

National Building Renovation Plans (replacing the long-term renovation strategies)

- ▶ BRP to be integrated into the NECP process, except the first plan
- ▶ Common template with only national goals and key mandatory indicator, several elements opening to other dimensions beyond energy remain voluntary (accessibility, safety,..)
- ▶ **Definition of „deep renovation“**
- ▶ **Stronger provisions on the removal of obstacles and barriers to renovation** (right to renovate)
- ▶ **Member States must not subsidise fossil-fuel boilers as of 2027**

Main provisions on information tools

GHG become part of the metrics of the EPBD

Energy Performance Certificates (EPC)

- ▶ by 2025 all energy performance certificates must be based on a harmonised scale of energy performance classes (from A to G, with A = ZEB and G = 15% worst buildings)
- ▶ Common template with energy and GHG indicators, while other indicators remain voluntary
- ▶ The validity of energy performance certificates of the lower D to G classes is reduced to five years
- ▶ Improved quality assurance

The Smart Readiness Indicator (SRI) is required for large non-residential buildings as of 2026

New provisions to ensure access to buildings data, databases of EPCs and data interoperability

The methodology for calculating the energy performance of buildings is updated to clarify the possible use of metered energy and the cost-optimal methodology specifies how to take into account carbon prices



General Approach by the Council

As regards **new buildings**:

- from **2028 new buildings owned by public bodies** would be zero-emission buildings
- from **2030 all new buildings** would be zero-emission buildings

Exceptions will be possible for some buildings, including historical buildings, places of worship and buildings used for defense purposes.

For **existing non-residential buildings**: MS agreed to set maximum energy performance thresholds, based on primary energy use. **All non-residential buildings below the 15% threshold by 2030 and below the 25% threshold by 2034.**

For **existing residential buildings**, MS agreed to set minimum energy performance standards based on a national trajectory in line with the progressive renovation of their building stock into a zero-emission building stock by 2050, as outlined in their national building renovation plans.

- by 2033, the D energy performance class level
- by 2040, a nationally determined value derived from a gradual decrease of the average primary energy use from 2033 to 2050 in line with the transformation of the residential building stock into a zero-emission building stock.

General Approach by the Council

Energy Performance Certificates

- A new category “A0” that would correspond to zero-emission buildings.
- A new category “A+” corresponding to buildings, which in addition to being zero-emission buildings contribute on-site renewable energy to the energy grid.

Solar Energy potential

All new buildings are designed to optimize their solar energy generation potential.

- by 31 December 2026, on all new public and non-residential buildings with useful floor area over 250 m²
- by 31 December 2027, on all existing public and non-residential buildings, undergoing a major or a deep renovation, with useful floor area over 400 m²; and
- by 31 December 2029, on all new residential buildings.

Building Renovation Plans: The first plans would be issued by 30 June 2026 and every five years after that

Financial incentives and market barriers

- Clear obligation for Member States to provide **appropriate financing and support measures** and **stimulate private investments**, in line with building renovation plans and 2050 goal
- Removal of **non-economic barriers** to building renovation
- **Cost-effective use of available financing** at national and EU level
- Promotion of **roll-out of enabling funding and financial tools** (e.g. energy efficiency loans and mortgages for building renovation, energy performance contracting, on-tax schemes, on-bill schemes, guarantee funds)
- Technical assistance to all involved; measures to ensure sufficient workforce and skills
- No financial incentives for fossil fuel boilers after 2027
- Financial incentives shall focus on vulnerable households, people affected by energy poverty and people living in social housing

Interlinkages with other pieces of legislation

- ➔ The revised **Energy Performance of Buildings Directive** will facilitate and increase building renovation, modernising and decarbonising the EU's building stock. It is an essential part of delivering on the **Renovation Wave strategy**.
- ➔ The new **Effort Sharing Regulation** sets emission reduction targets for all Member States by 2030 for sectors including buildings.
- ➔ **The revised Energy Efficiency Directive and Renewable Energy Directive** will make buildings more energy efficient and boost the use of renewable energy in buildings.
- ➔ **Emissions Trading** for building fuels will speed up emissions reductions and stimulate investments in renewables and energy efficiency.
- ➔ The **new Social Climate Fund**, funded by revenues from emissions trading in road transport and buildings, will **provide financial support to citizens**, in particular the vulnerable households, to invest in renovation or heating systems and ensure a fair transition.

March 2023: Council and Parliament strike deal on Energy Efficiency Directive

Member states must collectively ensure **a reduction of final energy consumption of at least 11.7% in 2030**, compared with the energy consumption forecasts for 2030 made in 2020. This translates into an upper limit to the EU's final energy consumption of 763 million tonnes of oil equivalent and of 993 million tonnes of oil equivalent for primary consumption. The consumption limit for final consumption will be binding for Member States collectively, whereas the primary energy consumption target will be indicative.

Gradual increase of the annual **energy savings target for final energy consumption** from 2024 to 2030. Member states will ensure new annual savings of 1.49% of final energy consumption on average during this period, gradually reaching 1.9% on 31 December 2030.

Specific obligation for the public sector to achieve an annual energy consumption reduction of 1.9% that can exclude public transport and armed forces. In addition to this, Member States would be required to **renovate each year at least 3%** of the total floor area of buildings owned by public bodies.

March 2023: Council and Parliament reach a deal on Renewable Energy Directive

Raise the share of renewable energy in the EU's overall energy consumption to **42.5% by 2030 with an additional 2.5% indicative top up that would allow to reach 45%**. Each member state will contribute to this common target.

Buildings, heating and cooling

Indicative target of **at least a 49% renewable energy share in buildings in 2030**.

Gradual increase in renewable targets for heating and cooling, with a binding increase of **0.8% per year at national level until 2026 and 1.1% from 2026 to 2030**.

Complementary and mutually supportive frameworks: revised EPBD makes buildings fit for renewables. Revised REDII makes renewables fit for buildings.

Many interlinkages with the EED

- ▶ EPBD contributes to the EED targets
- ▶ Works in synergy with the renovation target for the public sector and provides a definition and framework for renovation at NZEB levels
- ▶ In line with the Energy Efficiency First principle
- ▶ Addresses split incentives (mainly through MEPS)
- ▶ Importance of EPCs in calculating savings
- ▶ Complementarity with measures in buildings and district heating
- ▶ Contributes to the reduction of energy poverty (by addressing worst performing buildings) in line with EED
- ▶ Financial incentives shall target as a priority vulnerable households, people affected by energy poverty and people living in social housing, in line with the EED
- ▶ Building Renovation Plans integrated with NECPs
- ▶ One-stop-shops in line with the EED
- ▶ Independent experts and certification of experts in line with the EED

Investment needs for building renovation

Increased climate ambition in the European Green Deal requires a step up of investments in **buildings and their renovation**:

- Based on the analysis made in the Climate Target Plan Impact Assessment, the building renovation sector is **one of the sectors facing the largest investment gap in the EU**. In order to achieve the -55% climate target by 2030, around **EUR 275 billion of additional investments in energy renovations are needed per year in 2030**.
- The measures targeting renovations in the EPBD recast proposal, and particularly the **Minimum Energy Performance Standards**, address the need to scale up investments, by ensuring a clear regulatory framework for the energy renovation of buildings.
- The Commission assessed that **an additional 152 billion of annual investments will be needed** to implement the provisions on minimum energy performance standards (which are part of the additional investments needs assessed in the Climate Target Plan).
- An increase in the intensity of investments in building renovations **creates jobs and value added** in the EU, the largest share of impacts being in local SMEs.

Available funding at EU level

2021-2027 MFF: around **110 billion euros** from the EU budget

2027 – 2035 MFF estimates (in the absence of earmarked support): around **69 billion euros** (due to phase-out of the Recovery and Resilience Facility compared to the current MFF)

- **Direct investments:** Recovery and Resilience Facility (*total estimated expenditure in building renovation: EUR 49.7 billion = 10.2% of the total expenditure in the plans*), Social Climate Fund (SCF), Cohesion Policy Funds (ERDF/CF), Just Transition Fund (JTF), ETS Revenues, Modernisation Fund
- **Leverage private capitals**, project development assistance and advisory: InvestEU, ELENA Facility, Technical Support Instrument (TSI)
- **Market uptake, policy enhancement activities, technological development, research and innovation:** Horizon Europe, Built4People Partnership, LIFE Clean Energy Transition, Innovation Fund

Public Funds = catalyst for private investments

REPowerEU: EUsave Plan

Key sectors: **heating** in households and services, **transportation**

- **Information campaigns** on individual actions : turn down heating, draught proofing, encouraging train and cycle use,
- **Incitement and supporting actions**: rebates on energy-efficient appliance purchase, reduced VAT on high efficiency heating systems, ...
- **Strengthen regulatory framework** through FitFor55: increased target for energy savings from 9% to 13% by 2030
- **Increase transport energy efficiency** e.g. motorway speed limits, minimum share of electric vehicles, ...
- **Increased financing, RRP and MFF** (cohesion funds, InvestEU, JTF, ETS, LIFE ...)
- Technical assistance for financing and investments
- European Energy Efficiency Financing Coalition

Solar: four flagship initiatives

- EU Solar PV Industry Alliance
- Permitting package – legislative proposal
- Recommendation and guidance
- EU Solar Rooftops Initiative

Conclusions

- ▶ Buildings are high in the political agenda
- ▶ Broader scope: decarbonisation, health, affordability and energy poverty, circularity, improve quality of life, generate jobs and growth
- ▶ Keep the momentum of the Renovation wave
- ▶ Energy crisis is an opportunity to rethink:
 - ▶ both for policy making at all levels (e.g. more funds? fiscal measures? more ambition?)
 - ▶ and citizens (e.g. behavioral measures, embrace the wider benefits of renovations)
- ▶ Multiple efforts and coordination needed

Thank you for your attention